

Obamacare: The Biggest Insurance Scam in History

Wednesday, 30 October 2013 10:21

By [Kevin Zeese and Margaret Flowers](#), [Truthout](#) | *Op-Ed*

The Affordable Care Act (ACA), also called "Obamacare," may be the biggest insurance scam in history. The industries that profit from our current health care system wrote the legislation, heavily influenced the regulations and have received waivers exempting them from provisions in the law. This has all been done to protect and enhance their profits.

In the meantime, the health care crisis continues. Fewer people, even those with health insurance, can afford the health care they need because of out-of-pocket costs. The ACA continues that trend by pushing skimpy health plans with low coverage and restricted networks.

This is what happens in a market-based system of health care. People get only the amount of health care they can afford, rather than what they need. The ACA takes our failed market-based system to a whole new level by forcing the uninsured to purchase private health plans and using the government to sell and subsidize them.

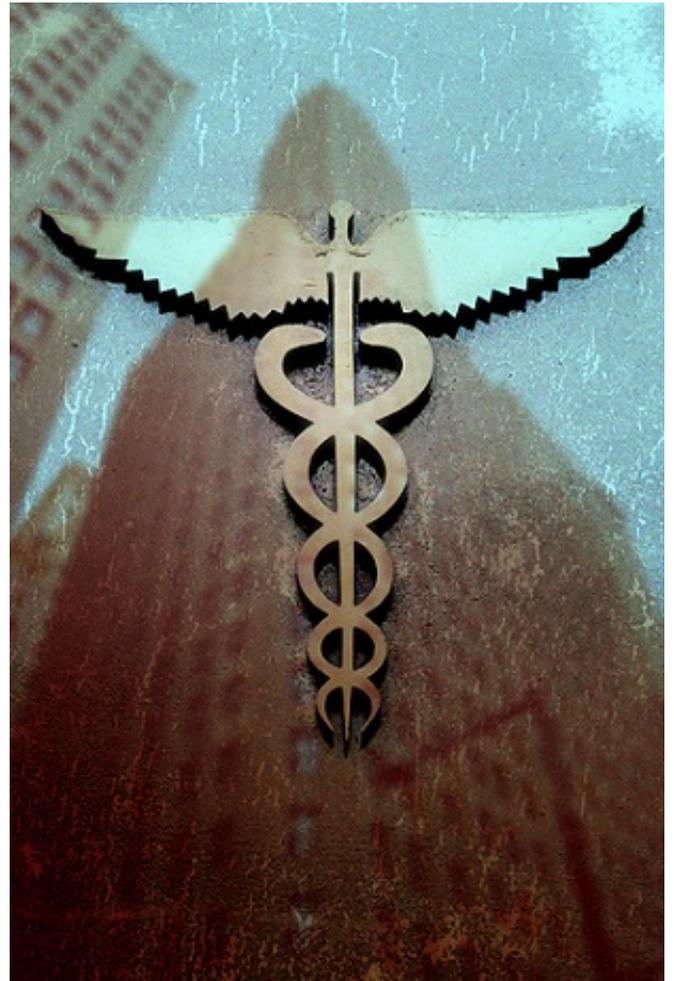
Sadly, most Americans are being manipulated into supporting the ACA and do not even know they are being bamboozled. That is how scams work. Even after the con is completed, victims do not know they have been manipulated and ripped off. They may even feel good about being scammed, thinking they made a deal when they really had their bank accounts picked. But it is the [insurance companies that are the realizing windfall profits](#) from the Obamacare con even as it falters.

The mass media is focused on the technical problems with getting the insurance exchanges up and running. These problems result from the complexity of the law and outsourcing of services to corporations that are often more costly and less effective than government. In comparison, in 1965 when Medicare started, everyone 65 and over was enrolled within six months - using index cards.

If all US residents were in one plan, Medicare for all, rather than the ACA's tiered system that institutionalizes the class divides in the United States, not only would the health system be fairer and improve health outcomes, but it would be less bureaucratic, less costly and easier to implement. The Medicare-for-all approach considers health care to be a public good, something that all people need, like schools, roads and fire departments.

Rather than being distracted by the problems of the exchanges, the more pressing issue is whether we want to continue using a market-based approach to health care or whether we want to join the other industrialized nations in treating health care as a public good. This conversation is difficult to have in the current environment of falsehoods, exaggerations and misleading statements coming from both partisan directions, echoed by their media supporters and nonprofit organizations.

Of course, the Republicans attack Obamacare for partisan reasons. And they are [often blatantly dishonest](#) in their



(Image: [Lance Page / truthout](#); Adapted: [takomabibelot, massmatt](#))

criticism. Their foundational claim, calling Obamacare socialized medicine, is the opposite of reality. And, the Obama administration and its allies in the nonprofit world also have their fair share of falsehoods about the ACA. We will describe these farther below.

A Primed Public

In reality, the US health care system is the worst of the wealthy nations. We spend the most per person, have the lowest percentage of our population covered and have poor health outcomes. [Forty-five thousand adults die each](#) year merely because they do not have insurance, and [84,000 Americans die each year of preventable illnesses](#) that would not die in the French, Japanese or Australian health systems.

Even those with insurance find it to be inadequate when they get seriously ill. Medical costs and illness are the greatest reasons for bankruptcy, and insurance does not prevent financial ruin. Every family is touched by the failures of US health care.

The Institute of Medicine issued a report in 2013, [US Health in International Perspective](#), that documents the failure of the US health care system. In summary: "Americans live shorter lives and experience more injuries and illnesses than people in other high-income countries. The U.S. health disadvantage cannot be attributed solely to the adverse health status of racial or ethnic minorities or poor people: even highly advantaged Americans are in worse health than their counterparts in other, 'peer' countries."

The health care crisis had grown to such proportions that by the 2008 election it could not be ignored. It was a major topic of the presidential campaigns. The health industries knew this and invested heavily in the candidates. Candidate Barack Obama overwhelmingly received [more in donations from health care-related industries](#) than any of the other candidates.

The public was ready for health care reform. Knowing that the majority of the public supports a Medicare-for-all system, it was going to take serious planning to silence that majority and enact a law that protected the interests of the health industries.

Obamacare: The Insurance Scam

A scam is a fraudulent operation designed to make money. A scam unfolds over time with a team of swindlers seeking to rob the victim without the victim ever knowing they have been scammed.

In *Confessions of a Confidence Man*, Edward H. Smith lists the "[six definite steps or stages of growth in every finely balanced and well-conceived confidence game](#)." Let's go through these six steps and see how the process of selling the ACA to the public fits.

1. Develop the Foundation

The foundation of a scam is the preparation done ahead of time to set up the scheme. In the case of the ACA, the foundation began with the health law passed by Massachusetts in 2006. The template was created by Stephen Butler of the Heritage Foundation, a conservative think tank. The law was passed under a Republican governor, Mitt Romney.

The next task was to sell this idea to Democrats. The Robert Wood Johnson foundation gave a major assist when it made large grants to state health reform groups in 2008 to promote Massachusetts-style reform in their states, called the "public-private partnership" model.

To further sell the ACA, [Roger Hickey](#), a longtime Medicare-for-all advocate of the Campaign for America's Future (closely allied with the Democratic Party), took an idea from Jacob Hacker to create a new public insurance modeled after Medicare to 'compete' with private insurance. Hickey sold the model to progressive groups, and Hacker's proposal was used by the Obama campaign.

In July, 2008, Hickey and others rallied progressive groups to create a new coalition, Health Care for America Now, which received tens of millions of dollars to build grass-roots support for the ACA. The name was similar enough to the longtime Medicare-for-all organization, Healthcare-Now, to cause confusion.

2. The Approach

The approach is the way that the con artist gets in touch with the victim. The vehicle for the ACA con was the tech-savvy political campaign of Barack Obama. The candidate promised hope and change. [Obama, who had supported single](#)

[payer before running for president](#), was able to point to all of the problems in the US health care system and excite people with the potential of a new leader who understood the crisis and would fix it.

After his election, the campaign organized Health Care House Parties in December 2008. People were encouraged to invite friends and neighbors to their homes, and the Obama transition team provided the materials. The booklet that was used was tightly scripted to build support for the ACA rather than actually elicit citizen input on what kind of health system was desired.

3. The Buildup

In this stage, the victim is excited about the prospect and is filled with anticipation so their judgment is warped and caution is thrown away, setting them up to fall for the scam.

Throughout the winter and spring of 2009, the Obama administration gave the appearance of bringing all of the "stakeholders" together to work for health reform. The president held a [White House Health Summit](#) in March 2009, which included representatives from health insurance corporations, hospitals and pharmaceutical companies. The only groups that were not included, until there was a threat of protest, were those who advocate for Medicare for all. The single-payer advocates did not speak, but the insurance spokesperson opened and closed the White House summit.

Throughout the spring, the president and allies reassured the public that if they liked their health insurance, they could keep it; that insurance would be made more affordable (not that health care would be more affordable); and that reform would aim for universal coverage.

4. The Convincer

The convincer for many who supported real health reform was "the Public Option." The idea was that the law would force the uninsured to purchase insurance but would include the choice of a public health insurance plan. The public was told that this option would be more cost-effective than private insurance and, thus, less expensive, which would make it more attractive.

Many were convinced that a public option would become a Medicare-for-all system, that it was a "back door" to single payer. They were told that going straight to a single-payer health care system would be too difficult and that the public option was a first step. Health Care for America Now organized grass-roots groups to put their energy into fighting for a public option, and many responded.

There was real animosity directed toward those who pointed out that from a policy standpoint a public option made no sense. It was simply adding another insurance plan to an already-complex and expensive system of hundreds of insurances and that, as had occurred time and again at the state level, it would attract those with the greatest health needs and as a result would ultimately fail because of high costs.

What most people did not understand at that point was that the public option was not only a non-solution to the health care crisis but that it was not even destined to be in the final legislation. Senator Max Baucus reported in March 2009 that it was a "bargaining chip" to get health insurers to accept regulations. [Glenn Greenwald exposed this](#) more fully when the Democratic leadership in the Senate actively worked to keep the public option from being included in the Senate health bill. The public option was just part of the con.

5. The Hurrah

The Hurrah phase of a con involves some sort of crisis that must be overcome. This phase started in August 2009, when the Tea Party, backed by Americans for Prosperity (a Koch brothers front group), came out very aggressively against the ACA at local town halls. They called it "government-run" and opposed its fictional "Death Panels." This served to energize the progressive groups to rally around the president and come out strongly in favor of the law. Rallies in favor of health reform were organized across the country.

Health reform advocates were activated further to support the law as the House and Senate struggled to come to consensus. As more aspects of the law that were important to health reform supporters were jettisoned, such as coverage for immigrants and inclusion of reproductive services, and the public option was whittled down to nothing, support for the law became a partisan statement of support for President Obama.

Members of Congress who supported the Medicare-for-all approach told us that they were going to "hold their nose and vote for it." Progressive groups and media feared that if the health bill did not become law, it would ruin the Democrats'

chance to hold a majority in Congress in the midterm elections and would destroy the president's chance to be re-elected.

6. The In-And-In

The purpose of the final phase of the con is to make sure the victims do not realize they've been conned.

Obama signed the ACA on March 23, 2010. Immediately the marketing began. The three words we heard the most to describe it were *universal*, *affordable* and *guaranteed*. Of course, the ACA is none of those. But members told us personally that if they told the truth, they wouldn't be re-elected.

Progressive groups started the work of explaining the advantages of the new health law to the public. The few positive aspects of the law were promoted without explaining the big picture. Overall, the ACA is similar to other neoliberal economic policies; it defunds and destroys our public health insurances and further privatizes health care.

The end goal of the ACA con, to make sure people do not realize they have been conned, is ongoing. As we will see below, salespeople, often the same nonprofits who pushed the ACA, are getting big money to sell insurance with Madison Avenue marketing manipulation tactics.

At the same time, leading single-payer advocacy groups fear further marginalization in their communities and so are afraid to tell the truth about Obamacare. The public has been so hoodwinked by the partisan debate between Republicans and Democrats, based on misinformation from both sides, that single-payer advocates are afraid if they tell the truth, their allies, many whom are Democrats, will push them away. So the truth has few emissaries, while the well-funded deceivers continue the ACA con.

The Con Continues: The Product

A fundamental problem with the ACA is that it is based on continuing our complicated private health insurance or market-based system. Despite their advertising slogans, private insurers primarily exist to create profit for their investors or, in the case of "nonprofit insurers," to pay exorbitant salaries to their executives. They care about health as much as Big Oil cares about the environment.

Health insurers make their profits from charging the highest premiums they can and by restricting and denying payment for care. They want to take in as much money as they can, while paying out as little on health care as possible. They have many tools with which to do this, and they've successfully skirted regulations for decades. When they can't make a profit, they simply pull that product from the shelf and create new products.

The public has been led to believe that the ACA has changed the behavior of health insurers. In this section we briefly explain some major areas of concern and why many of the promises of the ACA are false.

More-expensive insurance premiums: A major promise was that people could keep their insurance if they liked it, but many are finding that this isn't working out. [Kaiser Health News reported](#) last week: "Health plans are sending hundreds of thousands of cancellation letters to people who buy their own coverage, frustrating some consumers who want to keep what they have and forcing others to buy more costly policies." The Society of Actuaries released a [report](#) in March 2013 that showed insurance pools are set to see an average increase of 32 percent in underlying claims costs by 2017.

The [Charlotte Observer reported](#): "Across North Carolina, thousands of people have been shocked in recent weeks to find out their health insurance plans will be canceled at the end of the year - and premiums for comparable coverage could increase sharply."

The increase in premiums will force more people to use the state health insurance exchanges, where prices are [supposed to be more affordable](#), but even that is not a solution. Russell [Mokhiber of Single Payer Action describes](#) the dilemma he faces in West Virginia. Mokhiber received a notice that his current insurance expires January 1, 2014. If he wants to keep his plan, it will cost twice as much. In his state [only one insurance company](#), Highmark, will be listed on the exchange. He called Highmark to find out what his choices were and got bad news: "The skimpiest plan is going to cost me more than I'm paying now and have a higher deductible and out-of-pocket costs."

There are reports of increased premiums from across the country. One reason for the increase in cost is, as [USA Today reports](#): "About a third of insurance companies opted out of participating in the exchanges in states where they were already doing business, according to a recent report by McKinsey & Co. About half of states ... will see a 'material

decline' in competitors."

Decreased coverage: The ACA will increase the number of people who have inadequate insurance that requires high out-of-pocket costs and does not cover all necessary services. The ACA significantly lowers what is considered to be adequate insurance coverage through its system of tiers. The insurance exchanges offer four levels of coverage, with the least-expensive plans paying for 70 percent and 60 percent of covered services.

These plans include high co-pays and deductibles that are barriers to care - especially when 76 percent of Americans are living paycheck to paycheck. And insurers are restricting coverage further by limiting their networks so they do not include major medical centers or adequate numbers of health professionals.

It is important to highlight that insurers pay only for covered services because [people don't usually understand](#) that they will have to pay for uncovered and out-of-network services themselves. The [use of out-of-network services](#) is often involuntary and occurs without being known at the time of care, especially in emergency situations.

The New York Times [reports](#): "Most of the 15 exchanges run by states and the District of Columbia do not have provider directories or search tools on their Web sites - at least not yet - so customers cannot easily check which doctors and hospitals are included in a particular plan's network."

People are likely to choose the least-expensive plans without fully understanding that a serious accident or illness could [bankrupt them](#) even though they have insurance. And the race to the bottom in coverage will affect everyone. It is already estimated that [44 percent of large employer-based plans will be high-deductible plans](#) by 2014.

Tricks to mistreat those with pre-existing illness: One of the great selling points of the ACA con is that those with pre-existing illnesses will not be denied coverage. This is true, but insurers have many ways to avoid the ill. The ACA was [written by an insurance company executive](#) from Wellpoint, Liz Fowler, who went on to be [hired by Obama's HHS to implement the law](#) and [now works for a pharmaceutical giant](#). So, all along the way, the insurance companies had someone protecting their interests.

One way to avoid the sick was mentioned above: [excluding hospitals](#) where people with serious health problems go, like major medical centers. Another way is by providing poor service to people who have a lot of claims so they change insurers. And a third has to do with the fact that insurance companies are allowed to [charge more in geographical areas](#) where health costs are higher. If a plan in a particular area is not making enough profit, the insurance company can simply stop selling in that area.

Insurance companies also can charge three times as much based on age. Because most pre-existing illness comes with age, this greatly undermines the protection of those with pre-existing illness. [Insurance companies are excellent at gaming laws and regulations](#), so we can expect more creative avoidance of people who actually need health care.

Almost no reduction in youths without insurance: One of the highly touted claims of the ACA con was that youths would be covered on their parents' insurance until they are 26 years old. While this is true, the percentage of 19- to 26-year-olds without insurance has merely fallen from 48 to 41. Why? Most parents cannot afford the increased premiums that are required when more family members are covered. As a result this promise has been one of little value, except to the wealthy - and to those selling the Obamacare con.

No cap on out-of-pocket spending: One of the selling points of the ACA con was that it would limit how much people pay out of pocket for health care. Of the thousands of waivers granted by HHS, one was the limit on out-of-pocket spending. The insurance companies claimed that their computers were not set up to handle this change. HHS took this absurd rationale seriously and gave them a waiver on this important provision.

The Con Continues: The Dealers

The most egregious aspect of the ACA is the individual mandate that those without health insurance who do not qualify for public insurance such as Medicaid must purchase private insurance or pay a penalty for being uninsured. The public is being led to believe that the solution to the health care crisis is to increase the number of people who have insurance. This ignores the fact that having insurance does not mean that patients will have access to or will be able to afford the health care they need.

The ACA required states to create new marketplaces for insurance called exchanges or else the federal government would create the exchange. In essence, the federal government is using billions of public dollars to finance the exchanges, hire people to sell insurance and subsidize the purchases. Imagine what a benefit it would be if those billions

of dollars were used instead to hire health providers and pay for actual care.

The [federal government plays a big role](#) in running 26 of the state health exchanges but is funding all of them. The [annual cost of operating the exchanges](#) will be \$15 million to several hundred million per state. In the end, consumers will pay the cost through monthly surcharges tacked on to their premiums.

Part of the federal spending will be on "navigators" and "assisters," people whose job it is to help people buy insurance. The Obama administration announced in 2013 that it would be directing \$200 million to states, private groups and local health centers so that they can hire workers, [called navigators](#), to sell insurance to Americans.

How are navigators paid? A [House Committee on Oversight and Reform issued a report](#) on September 13, 2013, that examined how navigators will be paid. One problem is that many are paid based on the number of people they enroll. Obviously this could lead navigators and assisters to not merely "facilitate" enrollment but to persuade people to enroll. And navigators are not required to disclose this incentive.

This payment structure is just one problem, the House report summarizes, warning of scammers:

"... the training to be Navigators and Assisters will last only five to 20 hours and there is no requirement for a background check of Navigators and Assisters who will have access to highly sensitive personal information, such as Social Security numbers, dates of birth, and income for everyone in an applicant's household. Given the stories about how scammers are gearing up to take advantage of the tremendous confusion caused by ObamaCare, Americans are at an increased risk of being the victim of fraud and identify theft because of the Administration's poor development of its outreach programs."

The official navigators and assisters are only one part of the continued conning of America. The groups that advocated for Obamacare have evolved into [Enroll America](#). The group ([whose logo](#) is incredibly similar to insurance giant [Wellpoint](#)) not only includes advocacy organizations but also interests that profit from the market-based US health care system, e.g. insurance companies, hospitals and pharmaceutical companies. The president of Enroll America, Anne Filipic, served in the Obama White House, the HHS, the Democratic National Committee and in Obama's 2008 campaign.

Information on the budget of Enroll America has been vague. In June [Reuters reported](#): "In a conference call with reporters, Filipic declined to answer repeated requests for details on the group's budget. In January [Congressional Quarterly reported](#) they were eyeing a \$100 million budget and quoted founder Ron Pollack, who led an NGO that lobbied for Obamacare, saying: "We keep on saying it's got to be in the significant tens of millions of dollars, and hopefully we reach another digit." Reuters reported that the cost of the public outreach campaign would range into the tens of millions of dollars, with "at least seven figures" going to paid advertising. In a press release they [described the advertising campaign](#):

"Enroll America plans to organize a massive public education/advertising campaign about coverage eligibility and the ways people can enroll in coverage. We expect to involve well-known athletes and celebrities in the campaign. The advertising campaign will be segmented so that it effectively reaches different demographic groups, such as young adults, people in communities of color, low- and moderate-income families, etc. Depending on the availability of resources, we may be able to tailor ads to specific states."

The campaign is [expected to spend tens of millions of dollars](#) on polling, focus groups, paid advertising and running its operations with [a staff of a few hundred people](#). Americans will be subjected to all of the tools of Madison Avenue marketing through Enroll America along with sales by navigators, assisters and the insurance industry.

How is Enroll America raising money? Secretary of Health and Human Services Kathleen [Sebelius has been one of the fundraisers](#) for the organization. According to the New York Times, her [fundraising has caused a political uproar](#), with some Republicans claiming it was illegal and two House committees investigating the activity. They report: "Senator John Barrasso of Wyoming and Representative Jack Kingston of Georgia, both Republicans, said Ms. Sebelius appeared to be 'shaking down' businesses and other potential donors." [The Hill echoed this reporting](#) that insurance companies felt like they were being pressured by the administration to donate to Enroll America. One concern is that HHS has a lot of power over insurers as the agency can delay or deny approval of their health-insurance plans for federally approved exchanges.

Sebelius is [seeking funds from](#) groups like Robert Wood Johnson Foundation and H&R Block. And the Hill noted "Obama himself made a vague but personal appeal for a close partnership with insurers, which some in the industry saw

as a precursor to direct fundraising pitches." In April 2013, "[Obama reportedly](#) sat in for an hour-long meeting he was initially not scheduled to attend and told insurance executives that the White House and the industry were now "joined at the hip" trying to make the healthcare law work."

Americans want health care, so why do they have to spend so much money to convince people to buy ACA insurance? The American people will be subjected to a sophisticated, echo chamber of marketing to sell them flawed insurance that provides insufficient coverage, huge out-of-pocket costs and limited networks of health professionals and hospitals.

Understand the Con, End It and Replace It

The ACA con is part of a broader con Americans and people around the world are having inflicted on them, the [false idea](#) that privatization is a better way to provide services than government. Even though there is virtually no evidence to support this claim and there has been [a long history](#) with many [examples of privatization costing more](#) and providing less, this is a centerpiece of neoliberal economics. Politicians like President Obama and the leadership of the corporate duopoly who believe in market solutions are pushing privatization at home and through [big-business-rigged](#) trade agreements like the [Trans-Pacific Partnership](#).

The fundamental flaw of the ACA is that it entrenches a market-based system that treats health care as a commodity and profit center for Wall Street. The big drivers of the rising cost of health care - insurance, pharmaceuticals and for-profit hospitals - continue. The wealth divide that is a major byproduct of neoliberal economics is institutionalized by law under the ACA. Some, like [Senator Ted Cruz, will receive the best health care from their employer, in Cruz's case his wife's employer, Goldman Sachs](#). Others, forced into the individual insurance marketplace, will be divided in four classes based on wealth, and millions will be in Medicaid, the inadequate health plan for the poor. Thus, after a high-stakes partisan battle, we've made no progress in confronting the fundamental problems in US health care. Indeed we have made some of them worse.

There was an easier route and a more politically popular route. All that President Obama had to do was to push for what he used to believe in, Medicare for all. By just dropping two words, "over 65," the United States would not have needed the 2,200-page ACA. Then the country could have worked to gradually improve Medicare so that the United States moved toward the best health care in the world, rather than being mired at the bottom.

To replace Obamacare with the single-payer system, we need to be clear about the shortcomings of the law, especially its fundamental flaw of making a human right, one of many [human rights Americans do not realize they have](#), into a commodity like a cellphone. We need to recognize that ending the corporate domination of health care is part of breaking the domination of big business over the US government and the economy. Health care is at the center of the conflict of our times, the battle between the people and corporate interests, the battle to put people and planet before profits.

Further reading:

[Beyond the spin, some facts about the Affordable Care Act](#)

[The ACA is the Wrong Direction. Time for Medicare for All](#)

[Access to Health Care, Basic Necessities a Matter of Life or Debt](#)

[Solve the Real Problems - Poverty, Retirement and Health Insecurity - and the Economy Will Recover](#)

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To hear Kevin Zeese and Margaret Flowers interview: The Struggle for Health Care Continues with Guests Sergio Espana and Russell Mokhiber [click here](#).

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